

Statement of Orlando J. Cabrera

**Assistant Secretary for Public and Indian Housing
U.S. Department of Housing and Urban Development**



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INTRODUCTION

Mr. Chairman, Mr. Vice Chairman, and other distinguished members of the Committee, thank you for inviting me to provide comments on President Bush's fiscal year 2008 budget for HUD's Native American and Native Hawaiian housing, loan guarantee, and community development programs.

My name is Orlando Cabrera, and I am the Assistant Secretary for Public and Indian Housing. As PIH's Assistant Secretary, I am responsible for the management, operation, and oversight of HUD's Native American programs. These programs are available to 561 federally-recognized Indian tribes. We serve these tribes directly, or through their tribally designated housing entities (TDHE), by providing grants and loan guarantees designed to support affordable housing and community development activities. Our partners are diverse; they are located on Indian reservations, in Alaska Native Villages, on the Hawaiian Home Lands, and in other traditional Indian areas.

In addition to those duties, PIH's jurisdiction encompasses the public housing program, which aids over 3,000 public housing agencies that provide housing and housing-related assistance to low-income families.

It is a pleasure to appear before you, and I would like to express my appreciation for your continuing efforts to improve the housing conditions of American Indian, Alaska Native, and Native Hawaiian peoples. From HUD's perspective, much progress is being made. Tribes are taking advantage of new opportunities to improve the housing conditions of the Native American families residing on Native American reservations, on trust or restricted lands, in Alaska Native Villages, and on the Hawaiian Home Lands.

This momentum needs to be sustained as we continue to work together toward creating a better living environment in Native American communities.

OVERVIEW

At the outset, let me reaffirm the Department of Housing and Urban Development's support for the principle of government-to-government relations with federally-recognized Native American tribes. HUD is committed to honoring this core belief in our work with American Indians and Alaska Natives.

Increasing minority homeownership is one of the President's primary goals. HUD's Native American and Native Hawaiian housing and loan guarantee programs are the lynchpins for accomplishing this within Indian Country.

For example, our latest figures show that during FY 2006, tribes and their TDHEs used Indian Housing Block Grant (IHBG) funds to build, acquire, or rehabilitate more than 1,600 rental units and more than 6,000 homeownership units. Each of these units became a home to a Native American family. There have been recent successes with our loan guarantee programs too; and I will tell you more about this in a few moments.

The block grant and loan guarantee programs are important vehicles for achieving the Department's goal of reducing overcrowding in Native American communities by 10 percent over 10 years.

For several years now, we have updated you on the progress that tribes and TDHEs are making toward the obligation and expenditure of the funding appropriated for Native American programs. That progress continues. We can report that the balances of grant funds outstanding for more than 3 years were reduced by almost one-third in FY 2006. They were also reduced by more than 50 percent in both fiscal years 2004 and 2005. This represents substantial progress and indicates that tribes are increasing their capacity to comprehensively manage and grow their affordable housing programs. HUD's Office of Native American Programs (ONAP) has continued to develop more robust performance indicators to measure our progress and the progress of our grant recipients. At the same time, we are seeking to strengthen data collection capability to improve reporting and ensure that we can understand and communicate the rate of program fund obligations, expenditures, and production.

The Department is continuing to consult with tribal leaders and Native American housing officials on how we can improve and streamline data collection for the IHBG program and for the Indian Community Development Block Grant program.

BUDGET SYNOPSIS

Let me now turn to the President's budget request for FY 2008. This budget proposes a total of \$698,819,000, specifically for Native American and Native Hawaiian housing, loan guarantees and community development. There is \$626,965,000 proposed for the Indian Housing Block Grant program, which is authorized by the Native American Housing Assistance and Self-Determination Act (NAHASDA). Of that amount, approximately \$620,735,000 is for direct, formula allocations through the IHBG program. \$1,980,000 in credit subsidy, which will leverage \$17 million in loan guarantee authority, is proposed for NAHASDA's Title VI Tribal Housing Activities Loan Guarantee Fund. There is \$4,250,000 allocated for IHBG-related training and technical assistance. \$57,420,000 is for grants under the Indian Community Development Block Grant program, and \$7,450,000 in credit subsidy, which will support \$367 million in loan guarantee authority, is for the Section 184 Indian Housing Loan Guarantee Fund.

The Native Hawaiian community would receive, through the Department of Hawaiian Home Lands, \$5,940,000 for the Native Hawaiian Housing Block Grant Program, and there is \$1,044,000 for the Section 184A Native Hawaiian Home Loan Guarantee Fund, which will leverage approximately \$41.5 million in loan guarantees.

Finally, there is a total of \$4,550,000 available for training and technical assistance to support the Native American and Native Hawaiian Housing Block Grant programs.

INDIAN HOUSING BLOCK GRANT PROGRAM

Adjustments have been made within the account for the IHBG program to allow more funds to go directly to tribes. The FY 2008 budget includes \$620,735,000 for the IHBG program. Reducing set-asides results in an increase in IHBG grant dollars available to tribes.

HUD TRAINING AND TECHNICAL ASSISTANCE

Training and Technical Assistance remains a critical component of the IHBG program. The Training and Technical Assistance set-aside is \$4,250,000, which has provided initial and ongoing training and technical assistance to grantees, enabling them to function effectively under NAHASDA.

TITLE VI TRIBAL HOUSING ACTIVITIES LOAN GUARANTEE FUND

The Title VI Tribal Housing Activities Loan Guarantee Fund (Title VI) is also a set-aside under the IHBG program. The President's Budget requests \$1,980,000 in credit subsidy to continue loan activities at previous levels.

The program has maintained a steady growth rate. However, the Department feels that this program has greater potential to perform at a higher loan volume. In FY 2005, 4 loans were guaranteed and in FY 2006, 10 loans were guaranteed. HUD is currently reviewing 14 tribal/TDHE-sponsored projects, and expects additional applications will be submitted throughout FY 2007.

The requested funding will provide over \$17 million in loan guarantee authority. The budget request is based on a realistic expectation of program needs. The Department is stepping-up our outreach efforts for the program and has developed a new capacity building strategy based that will reach out to tribal leaders and housing entities, and demonstrate the value of leveraging Title VI funds with other sources of capital.

SECTION 184 INDIAN HOUSING LOAN GUARANTEE FUND

The President's budget request for this program is \$7,450,000. Each year, as required by the Credit Reform Act, the Section 184 Indian Housing Loan Guarantee Fund credit subsidy rate is re-calculated. The 2008 request and prior years' carryover will support \$367 million in loan limitation guarantee authority which, when added to existing funding, should be sufficient to cover current program needs.

The Section 184 program is a success and the Department believes that this program will continue to play a vital role in reaching the President's commitment to create 5.5 million minority homeowners by the end of this decade. HUD's Section 184 program addresses the special needs of Native Americans, making it possible for Indian families to achieve homeownership with market-rate financing and establish equity. To improve the visibility of the program, in FY 2005, HUD decentralized its outreach efforts

to tribes and lenders, which enabled the Department to connect with more of our clients at the local level. This new approach resulted in 1,138 new homeowners and more than \$190 million in loan commitments in FY 2006. The loan commitment volume is up 90 percent over the year-end totals for 2005.

The Department also implemented program initiatives that will have a profound impact on homeownership in Indian Country for years to come. HUD continues to work with the Department of Agriculture and the Bureau of Indian Affairs (BIA) on lease approval and recording processes that will speed approval of leasehold interests and enhance the mortgage delivery system. We have also been working with tribes to set up land assignment laws.

The increase in loan guarantee limitation authority for the Section 184 program is a direct response to the recent growth in loan activity. The Section 184 program produced 1,757 new homeowners over the past two years. This trend has continued in FY 2007, with 365 loan guarantees worth \$57.7 million completed in the first quarter. The FY 2007 first-quarter numbers represent a 45 percent increase in dollar volume of loans guaranteed on a year-to-year comparison. Over the life of the program, over 4,100 loans in excess of \$500 million have been guaranteed.

INDIAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The President's FY 2008 request for the Indian Community Development Block Grant program is \$57,420,000. The Indian CDBG program continues to be administered within PIH by the Office of Native American Programs. It is the primary source of assistance to federally recognized Indian tribes to develop viable communities, including decent housing, a suitable living environment, and economic opportunities, principally for persons of low and moderate income.

NATIVE HAWAIIAN HOUSING BLOCK GRANT PROGRAM

For FY 2008, the Department is requesting \$5,940,000 for this program. There is a \$299,211 set aside for training and technical assistance. This budget recognizes the unique housing needs of Native Hawaiian families eligible to reside on the Hawaiian Home Lands, and HUD continues to address those needs.

The Department of Hawaiian Home Lands (DHHL) has been an active partner; there are numerous affordable housing activities in process.

SECTION 184A NATIVE HAWAIIAN HOUSING LOAN GUARANTEE FUND

The budget request includes \$1,044,000 for the Section 184A Native Hawaiian Housing Loan Guarantee Fund (Section 184A). The request will provide up to \$41,504,255 in loan limitation guarantee authority to secure market-rate mortgage loans, and activities related to such projects, to eligible entities, including the DHHL, non-profit organizations, and income-eligible Native Hawaiian families who choose to reside on the Hawaiian Home Lands.

This program is modeled after the Section 184 program, but originally it concentrated on infrastructure and other related activities. In FY 2006, the Department signed a lending agreement with DHHL that opened the Section 184A program to individual Native Hawaiians. This agreement enables income- and credit-qualified Native Hawaiians to access private sector mortgage capital, backed by a federal loan guarantee, to finance homes on the Hawaiian Home Lands homestead leases they possess. HUD will begin offering the Section 184A program to qualified Native Hawaiians through HUD-approved lenders by the spring of this year, and anticipates conducting direct outreach and training to lenders and community leaders to promote the program.

The Section 184A lending agreement supports the State of Hawaii's goal to increase homeownership among Native Hawaiians. DHHL introduced a plan to award 6,000 residential leases to Hawaiian Home Land beneficiaries over the next 5 years. The Department anticipates a high level of interest from individual Native Hawaiians when Section 184A becomes available to them.

REAUTHORIZATION OF THE NATIVE AMERICAN AND NATIVE HAWAIIAN HOUSING AND LOAN GUARANTEE PROGRAMS

The Department supports the reauthorization of all Native American and Native Hawaiian housing and loan guarantee programs. My office is examining a number of statutory amendments to NAHASDA that may be offered during the reauthorization process. We recently received recommendations for reauthorization formulated by the National American Indian Housing Council, and we are in the process of reviewing them.

CONCLUSION

Finally, let me state also for the record that the President's budget request for HUD's Native American and Native Hawaiian housing programs, and for the Indian Community Development Block Grant program, supports the progress being made by tribes and the Native Hawaiian community in providing the housing needed for America's indigenous peoples.

This concludes my prepared remarks. I would be happy to answer any questions you may have.